



Kiu Hung International Holdings Limited

僑雄國際控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 381)

ANNOUNCEMENT OF 2006 INTERIM RESULTS

INTERIM RESULTS

The Board of the Directors (the “Board”) of Kiu Hung International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 June	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
REVENUE		33,291	20,299
Cost of sales		(23,419)	(15,347)
Gross profit		9,872	4,952
Other income		1,131	4,039
Distribution costs		(4,546)	(2,671)
Administrative expenses		(9,090)	(8,121)
Other operating expenses		(248)	(354)
OPERATING LOSS	3	(2,881)	(2,155)
Finance costs	4	(1,338)	(2,429)
Share of loss of a jointly controlled entity		–	(869)
Share of loss of an associate		–	(335)
LOSS BEFORE TAXATION		(4,219)	(5,788)
Taxation	5	(163)	(31)
LOSS FOR THE PERIOD			
ATTRIBUTABLE TO EQUITY			
HOLDERS OF THE COMPANY		(4,382)	(5,819)
INTERIM DIVIDENDS	6	–	–
LOSS PER SHARE	7		
– Basic		HK(0.20) cent	HK(0.26) cent
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		62,941	66,369
Prepaid land lease payments		6,042	6,118
Investment property		400	400
Amount due from a related company		–	2,619
Deferred tax assets		1,987	1,987
		<u>71,370</u>	<u>77,493</u>
CURRENT ASSETS			
Inventories		11,629	7,609
Trade and bills receivables	8	11,816	12,749
Prepayment, deposits and other receivables		1,370	1,796
Amount due from a related company		5,703	5,513
Tax recoverable		139	126
Financial assets at fair value through profit or loss		286	286
Cash at banks and in hand		56,452	48,034
		<u>87,395</u>	<u>76,113</u>
CURRENT LIABILITIES			
Trade and bills payables	9	14,515	10,858
Other payables and accruals		6,700	5,655
Provision for tax		351	263
Bank and trust receipt loans		35,504	30,554
Finance lease payables		89	96
		<u>57,159</u>	<u>47,426</u>
NET CURRENT ASSETS		<u>30,236</u>	<u>28,687</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		101,606	106,180
NON-CURRENT LIABILITIES			
Bank loans		1,995	2,203
Finance lease payables		7	48
Deferred tax liabilities		3,821	3,764
		<u>5,823</u>	<u>6,015</u>
NET ASSETS		<u>95,783</u>	<u>100,165</u>
EQUITY			
Share capital		44,277	44,277
Reserves		51,506	55,888
TOTAL EQUITY		<u>95,783</u>	<u>100,165</u>

NOTES:

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), the Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”). The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Company’s 2005 Annual Report.

These unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company and were approved by the board of directors on 7 August 2006.

2. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue and results for the Group’s business segments.

	Toys		Decorative gift items		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Segment revenue:						
Sales to external customers	<u>18,188</u>	<u>11,488</u>	<u>15,103</u>	<u>8,811</u>	<u>33,291</u>	<u>20,299</u>
Segment results	<u>1,081</u>	<u>(3,090)</u>	<u>(4,110)</u>	<u>(1,890)</u>	<u>(3,029)</u>	<u>(4,980)</u>
Interest, rental income and unallocated gains					1,131	4,039
Unallocated expenses					<u>(983)</u>	<u>(1,214)</u>
Operating loss					(2,881)	(2,155)
Finance costs					(1,338)	(2,429)
Share of loss of a jointly controlled entity					-	(869)
Share of loss of an associate					<u>-</u>	<u>(335)</u>
Loss before taxation					(4,219)	(5,788)
Taxation					<u>(163)</u>	<u>(31)</u>
Loss for the period					<u>(4,382)</u>	<u>(5,819)</u>

(b) **Geographical segments**

The following tables present revenue and results for the Group's geographical segments.

	The PRC (including Hong Kong)		North America		European Union		Others		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	<u>2,473</u>	<u>1,984</u>	<u>26,139</u>	<u>13,933</u>	<u>3,299</u>	<u>3,940</u>	<u>1,380</u>	<u>442</u>	<u>33,291</u>	<u>20,299</u>
Segment results	<u>(241)</u>	<u>(438)</u>	<u>(2,332)</u>	<u>(3,516)</u>	<u>(333)</u>	<u>(916)</u>	<u>(123)</u>	<u>(110)</u>	<u>(3,029)</u>	<u>(4,980)</u>

3. OPERATING LOSS

The Group's operating loss is arrived at after charging:

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Depreciation	3,831	2,532
Amortisation of prepaid land lease payments	76	78
Staff costs	<u>7,921</u>	<u>7,465</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interest on bank loans and trust receipt loans wholly repayable within five years	1,331	1,096
Interest on bank loans not wholly repayable within five years	–	62
Interest on finance leases	7	47
Interest on capital contribution payable to a jointly controlled entity	–	1,224
	<u>1,338</u>	<u>2,429</u>

5. TAXATION

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Income tax provision for the period:		
Hong Kong	106	31
Elsewhere	—	—
	<hr/>	<hr/>
	106	31
Deferred tax	57	—
	<hr/>	<hr/>
	163	31
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong for the period. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdiction.

6. INTERIM DIVIDENDS

The Board has resolved not to pay any interim dividend for the period (2005: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period of HK\$4,382,000 (2005: HK\$5,819,000) and the weighted average of 2,213,820,000 (2005: 2,213,820,000) ordinary shares in issue during the period.

Diluted loss per share for the period ended 30 June 2006 is not presented because the result of the exercise of potential ordinary shares during the period would be anti-dilutive. Diluted loss per share for the period ended 30 June 2005 is not presented as there was no potential dilutive ordinary shares in existence for the period.

8. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 1 month, extending up to 3 months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An ageing analysis of trade and bills receivables, net of provision, is as follows:

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
0 – 30 days	9,918	6,679
31 – 90 days	1,433	5,990
91 – 180 days	161	80
181 – 360 days	304	–
	<u>11,816</u>	<u>12,749</u>

9. TRADE AND BILLS PAYABLES

An ageing analysis of trade and bills payables is as follows:

	As at 30 June 2006 (Unaudited) HK\$'000	As at 31 December 2005 (Audited) HK\$'000
0 – 30 days	5,830	2,728
31 – 90 days	6,794	5,595
91 – 180 days	1,579	2,196
181 – 360 days	290	308
Over 360 days	22	31
	<u>14,515</u>	<u>10,858</u>

BUSINESS REVIEW

For the six months ended 30 June 2006, the Group's turnover and net loss were approximately HK\$33.3 million (2005: HK\$20.3 million) and HK\$4.4 million (2005: HK\$5.8 million), respectively. Basic loss per share for the period was HK0.20 cent (2005: HK0.26 cent). The Board has resolved not to pay any interim dividend for the period (2005: Nil).

For the period under review, revenue from toys and decorative gift items was approximately HK\$18.2 million and HK\$15.1 million (2005: approximately HK\$11.5 million and HK\$8.8 million), respectively, accounting for approximately 55% and 45% of the Group's total turnover, respectively.

During the period, the Group has experienced improved sales of its toy and gift products as compared with the same period in 2005. Such increase in sales is a result of the improvement of the global economy and the increased marketing effort of the Group. In addition, as Miracles For Fun (HK) Limited ("MFF") has become a subsidiary of the Group in December 2005, the consolidation of the results of MFF has also contributed to the increase in revenue for the period.

The Group generally finances its operations with internally generated cash flow and facilities provided by its principal bankers in Hong Kong and in the PRC. The Group had cash and bank balances of approximately HK\$56.5 million as at the balance sheet date. The Group's cash and bank balances were mostly held in Hong Kong dollars and Renminbi.

The Group's bank and other borrowings were made in Hong Kong dollars and Renminbi, approximately 70% of such borrowings bore interest at fixed lending rate. At 30 June 2006, the Group's bank and other borrowings amounted to approximately HK\$37.6 million, out of which approximately 95% was repayable within one year. The gearing ratio of the Group calculated as a ratio of total bank and other borrowings to total assets was approximately 24% as at 30 June 2006. Net current assets at 30 June 2006 was approximately HK\$30.2 million and the current ratio was approximately 153%. The Group had not used any financial instruments for hedging during the period.

At 30 June 2006, certain of the Group's buildings and leasehold land and buildings with carrying values of approximately HK\$9.9 million and HK\$9.2 million, respectively, were pledged to secure general banking facilities granted to the Group.

As at 30 June 2006, the Group did not have any contingent liabilities (2005: Nil).

At 30 June 2006, the Group had a total of 1,075 employees. The Group always maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a periodical basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

Subsequent to the period under review, the Group has announced its proposal to issue 774,837,000 offer shares at a price of HK\$0.05 per offer share by way of open offer of new shares, on the basis of seven offer shares for every twenty existing shares held on the record date. The estimated net proceeds from the open offer will be approximately HK\$37 million. Further details of the open offer are set out in the Company's announcement dated 6 July 2006.

The Directors are optimistic about the performance of the Group for the full year as the global economy continues to flourish. Moving forward, the Group will continue to invest in research and development and to develop new series of products with add-on features and functions. The Group will continue to develop its business by expanding its sales team and distribution channels in North America, Europe and the PRC. In addition, the Group will apply part of the net proceeds from the open offer to explore other investment opportunities in the agricultural, energy and/or resources industries or other projects that have earning potentials to expand its operations and to diversity its business.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the period, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities.

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Code of Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules, throughout the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Code"). Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Code during the period.

By order of the Board
HUI Kee Fung
Chairman

Hong Kong, 7 August 2006

As at the date of this announcement, the board of directors of the Company consists of three executive directors, Mr. Hui Kee Fung, Mr. Hui Ki Yau and Madam Hui Hung Tan, Teresa and three independent non-executive directors, Mr. Peng Guanghui, Mr. Kung King Ching, Conrad and Mr. Tang Rongzu.

Please also refer to the published version of this announcement in China Daily.